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SUBJECT: SOUTH AFRICA: APRIL LABOR NOTES

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#### Summary

¶1. South Africa's statistical agency, Stats SA, reports that unemployment dropped to 23 percent as of September 2007, though the number of discouraged workers also increased. Labor federation COSATU threatened strike action over proposed 53 percent increases in electricity tariffs, and suggested an alternative tiered pricing structure that would limit price increases for poor households. Bayside smelter employees are facing layoffs after its owner, BHP Billiton, was forced to cut electricity consumption; the metalworkers union estimated 20,000 families in the Richards Bay area may be affected. Labor inspectors forced the shutdown of a wood manufacturing factory in Pietermaritzburg over egregious health and safety violations.

End Summary.

#### Unemployment Drops to 23 Percent According to Official Statistics

¶2. The latest Labor Force Survey (LFS), released by Stats SA on March 27, indicated that unemployment dropped to 23 percent as of September 2007. The LFS noted that the employment growth over the past three years had been substantial but also noted that a decline in the labor force from September 2006- September 2007 resulted in a lower unemployment rate. The corresponding increase in discouraged job seekers resulted in the broader definition of unemployment (to include those willing to work but who have not been actively job hunting in the past four weeks) remaining at 37 percent. (Note: this figure was not published in the latest LFS but was calculated using the raw data provided. End Note.) The LFS noted that younger people disproportionately accounted for the increase in discouraged workers.

¶3. The number of domestic workers increased rapidly to 1.06 million during the twelve months ending in September 2007, with domestic workers now accounting for 8 percent of the labor force, according to LFS data. This increase, together with rising numbers of community workers (also mostly female), is said to have accounted for a substantial drop in unemployment.

¶4. A number of local economists have queried whether the economy created the number of jobs implicit in the decline, and compared or attempted to compare LFS data with the Quarterly Employment Survey which also was released on March 27. One economist noted that data suggested 660,000 jobs had had to be created between March and September 2007. Another analyst said that the data showed 34.7 percent increase in employment in commercial agriculture, for which he had no explanation.

#### Labor Federation Threatens Strike over Electricity Fee Hike

¶5. The Congress of South African Trade Unions (COSATU) has applied for a section 77 notice which would allow it to call for

protected strike action with regard to planned 53 percent increase in electricity tariffs. South Africa's electric utility Eskom plans to substantially increase generating capacity to keep pace with increased demand, and has already increased its rates by 14 percent in December to permit to fund capital expenditures of R340 million as well as increased costs of coal. Consumer price inflation is currently running at 9.8 percent, and expected to increase further after 8-12 percent increases in gas and diesel prices this week.

¶ 6. COSATU has said that an increase would have "devastating" consequences for South Africa, affecting not just consumers but also job creation, as small and medium business could be forced to close, and larger businesses, like mining company Goldfields, to retrench some of their workforce. COSATU has suggested a sliding scale price structure with heavy industry and high-income/high user households being charged more per unit, and poorer households paying less. The labor federation has also demanded consultations and a price freeze until their conclusion. White trade union Solidarity has said it will look at legal remedies should any of its workers lose their jobs due to the Eskom crisis.

¶ 7. Comment: Although public service and other workers received relatively high wage increases in 2007, inflation has already consumed any real wage increase. Apartheid- era housing policies mean that many low-income workers live a substantial distance from their workplace and spend a high proportion of their disposable income on transport costs, which are also increasing rapidly in line with world oil prices. Food prices are also increasing at higher than average rates, putting more stress on household budgets of the poor. Eskom's rate increases, which have to be approved by its regulator and thus are seen to be under government control, make it a very visible target for frustrated workers and unions. Pocketbook issues are likely to lead to another active strike season in May and June of this year. End Comment.

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#### Electrical Engineer Wins Employment Equity Case

¶ 8. The South Africa Report published in its February 8 edition a report of a high court decision that prohibited the Tshwane municipality for sanctioning a senior electrical engineer working for the city for opposing its employment equity (affirmative action) policy when this was likely to endanger the public and safety of fellow employees. According to the report, the engineer raised concerns about being forced to appoint under-qualified black electricians to perform dangerous operations over better qualified whites after a newly-appointed development manager changed company policy so that only employment equity candidates could be considered. After his management failed to support him, the engineer then sent letters of protest to the Engineering Council and the Department of Labor, noting that this policy endangered both the public and the electricians themselves. The high court lifted the disciplinary measures imposed on the engineer and censured the Tshwane municipality.

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¶ 9. According to primarily white trade union Solidarity, South Africa currently one engineer for every 3200 citizens, compared to Europe (roughly one for every 250) and the US (one for every 4-500 citizens).

#### More Eskom fallout: Layoffs for Smelter Workers

¶ 10. BHP Billiton is likely to lay off between 400-800 workers at its Bayside aluminum smelter in Richards Bay, after the company received notice from electricity utility Eskom that it needed to cut consumption levels by 10 percent. The National Union of Metalworkers of South Africa (NUMSA) has said that these layoffs would affect 20,000 families in the area, and has called for consultations to adopt a social plan to minimize the

impact on workers. BHP Billiton recently fired its banker, Standard Bank, after one of the bank's employees suggested in a meeting with the government that the Bayside smelter be shut down entirely in order to save electricity.

#### Labor Inspectors shut down Wood Factory over Safety Issues

¶111. Inspectors from the Department of Labor shut down a wood manufacturing plant in Pietermaritzburg on March 7, after finding that electrical equipment was sufficiently hazardous to warrant the shut-down. A variety of other occupational health and safety violations were also discovered, and the state of toilets, canteens, and change rooms was described as "appalling." The factory was given 60 days to come into compliance.

#### Teachers Finally Sign Pay Agreement

¶112. Teachers joined other public servants on strike in May and June of 2007, and returned to work with other public sector workers but until recently were working without an agreed contract. The contract, scheduled to be signed on April 2, would give teachers a 12 percent pay raise encompassing the 7.5 percent given to all public sector workers and a 4 percent occupation-specific increase as well.

COFFMAN